

Message Text

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TO AMEMBASSY TEHRAN

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TAGS: MILI, IR

SUBJECT: GRUMMAN AGENT PROBLEM

REF: TEHRAN 1562

1. FOLLOWING ARE EXCERPTS FROM NEWSDAY FEBRUARY 15 ARTICLE.
WE HAVE OMITTED EXTENSIVE REHASH OF PREVIOUSLY PUBLISHED
MATERIAL.

2. "THE IRANIAN AGENT WHO CONTRACTED WITH GRUMMAN INTERNA-
TIONAL FOR 28 MILLION DOLS IN COMMISSIONS TO PROMOTE THE SALE
OF F-14 FIGHTERS TO IRAN HAS CHARGED THAT HE WAS FORCED TO
TURN OVER THE BULK OF THE COMMISSIONS TO A MAN WHO CLAIMED
TO BE ACTING ON BEHALF OF TWO HIGH-RANKING OFFICIALS OF THE
IRANIAN GOVERNMENT.

"THE AGENT, INTERVIEWED SEVERAL TIMES OVER THE PAST SIX
WEEKS BY A NEWSDAY REPORTER, IS HOUSHANG LAVI, AN IRANIAN
NATIONAL WHO MAINTAINS AN OFFICE IN PLAINVIEW. LAVI PROMOTED
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GRUMMAN'S INITIAL SALE OF 30 F-14S TO IRAN IN JANUARY, 1974.
A SHORT TIME LATER, LAVI SAID, HE WAS CONTACTED BY ANOTHER
SALES AGENT WITH IRANIAN CONNECTIONS. THE AGENT TOLD LAVI

THAT HE WAS TAKING OVER 66 PER CENT OF LAVI'S PAST AND FUTURE COMMISSIONS ON SALES OF GRUMMAN F-14S TO IRAN.

'LAVI SAID THAT HE AGREED TO THE ARRANGEMENT IN APRIL, 1974, BECAUSE HE WAS CONVINCED THAT THE NEW AGENT WAS ACTING ON BEHALF OF TWO TOP IRANIAN GOVERNMENT OFFICIALS. THEY WERE IDENTIFIED AS GEN. HASSAN TOUFANIAN, VICE MINISTER OF WAR, AND THE LATE GEN. MOHAMMED KHATAMI, BROTHER-IN-LAW OF THE SHAH OF IRAN AND HEAD OF IRAN'S AIR FORCE.

'THE NEW AGENT, ALBERT J. FUGE, WHO IS AN AMERICAN, PRODUCED IMMEDIATE RESULTS FOR GRUMMAN. IN THE COURSE OF TWO MONTHS, IRAN HAD COMMITTED ITSELF TO BUY 50 MORE F-14S FROM GRUMMAN.

' THIS SALE CAME AS A SHARP SURPRISE IN WASHINGTON. JUST BEFORE FUGE TOOK OVER FROM LAVI, TOUFANIAN HAD SECRETLY ADVISED U.S. OFFICIALS ON BEHALF OF THE SHAH THAT HIS GOVERNMENT WAS NEXT GOING TO BUY MCDONNELL DOUGLAS F-15S-- NOT GRUMMAN F-14S. THE TEXT OF THIS ADVISORY IS IN NEWSDAY'S POSSESSION. ...

'...PETER B. ORAM, PRESIDENT OF GRUMMAN INTERNATIONAL, ... HAS REPEATEDLY DENIED ANY KNOWLEDGE THAT EITHER LAVI OR FUGE MAY HAVE FUNNELED COMMISSION MONEY BACK TO IRANIAN GOVERNMENT OFFICIALS. ORAM SAID HE WAS AWARE OF THE SWITCH OF COMMISSIONS FROM LAVI TO FUGE. ...

'...THROUGHOUT THE INVESTIGATION INDICATIONS HAVE EMERGED THAT AT LEAST SOME HIGH-RANKING IRANIAN OFFICIALS WERE AWARE FOR TWO YEARS THAT LAVI AND THEN FUGE WERE COMMISSION AGENTS FOR GRUMMAN. YET THERE WAS NOT EVEN A PRIVATE PROTEST UNTIL LAST JUNE, WHEN AGAINST THE BACKGROUND OF CONGRESSIONAL PROBES OF U.S. CORPORATIONS DEALING WITH FOREIGN GOVERNMENTS, IRAN SUDDENLY COMPLAINED ABOUT GRUMMAN'S USE OF AGENTS.

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'NEWSDAY'S INVESTIGATION HAS REVEALED:

--A COPY OF THE CONTRACT BETWEEN LAVI AND FUGE SHOWS THAT LAVI TURNED OVER THE BULK OF HIS INTEREST TO FUGE. THE CONTRACTS WERE ENDORSED BY GRUMMAN AND DATED SHORTLY AFTER GRUMMAN WAS INFORMED THAT LAVI WAS NO LONGER ACCEPTABLE AS AN AGENT, ALTHOUGH ANOTHER PERSON WOULD BE.

-- DESPITE IRAN'S CONTRACTUAL PROHIBITION OF COMMISSION AGENTS, A HIGH-RANKING IRANIAN OFFICIAL INDIRECTLY TOLD GRUMMAN EARLY IN 1974 TO STOP USING LAVI BUT RAISED NO OTHER PROTEST. IN JUNE 1975, TOUFANIAN GAVE GRUMMAN OFFICIALS

GOVERNMENTAL DOCUMENTATION ON WHY IRAN HAD BLACKLISTED LAVI. HE SUGGESTED THAT GRUMMAN STOP USING AGENTS, BUT THERE IS NO INDICATION THAT HE SAID GRUMMAN HAD VIOLATED ITS CONTRACT, OR THAT HE DEMANDED THE 28 MILLION DOLS IN COMMISSION MONEY.

--A CORPORATION OF WHICH FUGE IS CHAIRMAN AND CHIEF EXECUTIVE, EFC INTERNATIONAL, INC., SHARES A MANHATTAN OFFICE AT 33 WORTH STREET, AND A PHONE NUMBER, 431-4450, WITH THE IMPERIAL IRANIAN AIR FORCE PURCHASING MISSION. ... FUGE HAS DENIED FUNNELING ANY COMMISSION MONEY BACK TO KHATAMI OR TOUFANIAN, ALTHOUGH HE ADMITS KNOWING THEM. ...

'THE BYZANTINE ROAD FROM GRUMMAN'S BETHPAGE HEADQUARTERS TO THE HIGH-STAKES ARMS DEALING IN TEHRAN BEGAN ALMOST IN THE COMPANY'S BACKYARD IN 1972. LAVI, OPERATING OUT OF A PLAINVIEW SPLIT-LEVEL HOUSE, APPROACHED COMPANY OFFICIALS THAT SEPTEMBER AND OFFERED TO HELP SELL THE F-14 TO IRAN. AT THAT TIME GRUMMAN WAS DEEP IN RED INK UNDER ITS STIFF CONTRACT TERMS WITH THE NAVY.

'AT FIRST SKEPTICAL, GRUMMAN OFFICIALS CHECKED LAVI'S CREDENTIALS AND THEN ENTERED INTO A COMMISSION CONTRACT WITH HIM ON FEBRUARY 2, 1973, ACCORDING TO DOCUMENTS. LAVI SAID HE HAD BEEN A COMMISSION AGENT FOR 24 YEARS AND HAD ABOUT 26 SALES OF U.S. EQUIPMENT TO HIS CREDIT.

'LAVI SAID HE OPENED DOORS TO GRUMMAN AND CLAIMED TO HAVE UNCLASSIFIED

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PROVIDED AN ENTREE TO KHATAMI GROWING OUT OF AN ACQUAINTANCE DATING BACK TO THE 1950S, WHEN THEY PLAYED ON DIFFERENT SOCCER TEAMS.

'HE MAINTAINED THAT KHATAMI SET THE STAGE FOR SUBSEQUENT BRIEFINGS WITH OTHER IRANIAN AIR FORCE OFFICERS THAT ENABLED THEM TO BECOME FAMILIAR WITH THE CAPABILITIES OF THE F-14, DESIGNED FOR THE U.S. NAVY. ...

'ORAM SAID THAT LAVI MADE "ONE OR TWO INTRODUCTIONS AT THE COLONEL LEVEL...BUT GAVE US THE NAMES OF THE RIGHT PEOPLE TO SEE." ORAM SOUGHT TO CONVEY THE IMPRESSION IN TWO INTERVIEWS THAT LAVI'S CONTRIBUTION WAS MORE IN THE WAY OF PROVIDING LOGISTICAL SERVICES IN HIS HOMETLAND TO THE VISITING AMERICANS. BUT WHATEVER LAVI'S ROLE IN SELLING IRAN THE FIRST 30 F-14S IN JANUARY, 1974, ORAM EXPRESSED NO DISSATISFACTION WITH HIS SERVICES TO THAT POINT. ...

'...GRUMMAN OFFICIALS--MAINLY ORAM, RETIRED ADM. ROBERT L. TOWNSEND, CHAIRMAN OF GRUMMAN INTERNATIONAL, AND THOMAS A. BRANCATI, HEAD OF GRUMMAN'S IRAN OPERATIONS--KNEW THEY WERE HEAVY UNDERDOGS FOR A SECOND ORDER.

'IRAN WAS GOING TO MAKE A SECOND FIGHTER PURCHASE, AND IT WAS EXPECTED ON GOOD AUTHORITY TO BE THE RIVAL U.S. AIR FORCE AIR SUPERIORITY FIGHTER--THE F-15 BUILT BY MCDONNELL DOUGLAS.

'A COPY OF THE CABLE SENT AT THAT TIME BY THE U.S. MILITARY ASSISTANCE ADVISORY GROUP IN TEHRAN TO THE U.S. JOINT CHIEFS OF STAFF AND OTHER LEVELS OF GOVERNMENT READS:

"IT IS THE INTENTION ON THE IMPERIAL GOVERNMENT OF IRAN TO PROVIDE FOR THE IIAF (IMPERIAL IRANIAN AIR FORCE):

"30 EACH F-14 TOMCAT, 50 EACH F-15 EAGLE...TOUFANIAN STRESSED THAT HE (HIS IMPERIAL MAJESTY) APPROVED THE CHOICE OF WORDS IN THIS." ...

'ENTER FUGE AND HIS COMPANY, SHAHAM S. A. ACCORDING TO LAVI, FUGE, WHOM HE HAD KNOWN FROM PRIOR DEALINGS, CON- UNCLASSIFIED

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TACTED HIM IN THE FEBRUARY OR MARCH, 1974--HE IS NOT CERTAIN EXACTLY WHEN. FUGE, LAVI CONTINUED, SAID HE HAD INSTRUCTIONS FROM KHATAMI AND TOUFANIAN DIRECTING THAT THE COMMISSION CONTRACT BE TURNED OVER TO FUGE'S SHAHAM, WHICH PURCHASED LAVI'S EASTERN INTERNATIONAL COMPANY. LAVI SAID HE WAS PROMISED THAT A TRAVEL AGENCY HE FORMED WOULD HANDLE ALL GRUMMAN TRAVEL BUSINESS. ...

'...FUGE, WHO SAID HE HAD BEEN IN INTERNATIONAL TRADE SINCE 1947, DENIED BEING PART OF ANY INTRIGUE TO GAIN CONTROL OF LAVI'S FIRM AND THE COMMISSION CONTRACT.

'HE SAID SHAHAM, WHICH DOES BUSINESS THROUGHOUT THE MIDEAST, WAS INTERESTED IN SELLING EITHER THE F-14 OR THE F-15. ...

'FUGE DENIED "UNEQUIVOCALLY" THAT ANY FUNDS PAID BY GRUMMAN WENT DIRECTLY OR INDIRECTLY TO ANY MEMBER OF THE IRANIAN GOVERNMENT: "NEVER," HE ASSERTED. HE SAID WHEN THE SUBJECT IS INVESTIGATED HE "WILL PROVIDE IT TO EVERYBODY'S SATISFACTION."...

"ORAM TALKED FREELY ABOUT SOME ASPECTS OF THE COMMISSION CONTRACTS, BUT HE REFUSED TO ANSWER OTHER QUESTIONS. HE REPEATEDLY REFUSED TO IDENTIFY THE SOURCE IN IRAN WHO HAD TOLD THE GRUMMAN REPRESENTATIVE THAT LAVI HAD BECOME PER-
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SONA NON GRATA AS AN AGENT. AND HE REFUSED TO SUPPLY NEWSDAY WITH ANY MEMORANDA OR OTHER COMPANY INVESTIGATIVE DATA DEALING WITH FUGE'S FITNESS TO TAKE OVER THE CONTRACT AS GRUMMAN'S AGENT ON THE F-14 DEAL WITH IRAN.

'IN A LATER INTERVIEW, HE WOULD NOT IDENTIFY WHO FIRST RECOMMENDED FUGE, BUT SAID HE THOUGHT THAT GRUMMAN FIRST LEARNED OF HIM THROUGH BRANCATI, HEAD OF ITS IRANIAN OPERATION. ...

'...THE GRUMMAN OFFICIAL SAID THAT AT A MEETING WITH TOUFANIAN IN JUNE, 1975, THE IRANIAN PROCUREMENT CHIEF ADVISED THE COMPANY TO END ITS ASSOCIATION WITH FUGE AND ANY OTHER AGENTS, BUT DID NOT ASK FOR THE COMMISSION MONEY.
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'GRUMMAN THUS FAR HAS PAID OUT 6 MILLION DOLS OF THE TOTAL PROMISED 28 MILLION DOLS IN COMMISSIONS FOR THE 80 IRANIAN F-14S. IT PAID 2.9 MILLION DOLS ON APRIL, 1975, TO FUGE. OF THIS, LAVI SAYS, FUGE PAID HIM 600,000 DOLS. ORAM SAYS THAT ANOTHER 3.1 MILLION DOLS HAS BEEN PAID TO A FIRM NAMED STARLIGHT EXPORT INTERNATIONAL, WHICH INCLUDES LAVI'S BROTHERS, PARVIZ AND MANSOUR, BUT NOT LAVI. THE BULK OF THE MONEY UNDER THE NOW-ABORTED CONTRACT WAS TO GO TO FUGE.

'SHAHAM APPARENTLY HAS ASSIGNED THE COMMISSION CONTRACT TO THE GOVERNMENT OF IRAN. WHAT POWERS OF PERSUASION WERE USED TO GET THE CONTRACT WAS NOT IMMEDIATELY CLEAR. THE IRANIAN EMBASSY, AFTER FIRST PROMISING NEWSDAY FULL CO-OPERATION, HAS FAILED TO ANSWER ANY QUESTIONS OVER THE PAST TWO WEEKS. ..." INGERSOLL

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<< END OF DOCUMENT >>

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